



Tennessee State Board of Accountancy
Department of Commerce and Insurance

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MEETING MINUTES

October 23, 2006

The meeting of the Tennessee State Board of Accountancy convened in the Davy Crockett Tower, Nashville, Tennessee on Monday, October 23, 2006, at 8:30 a.m.

Members present were Doug Warren, Chairman; Kenneth Cozart, Vice-Chair; Stanley Sawyer, Secretary; Joseph Buffler, Lisa Stickel, Vic Alexander, Al Creswell, Max Haught, William Underwood, and Shannone Raybon.

Also present were Linda Biek, Executive Director; Shauna Billingsley, Staff Counsel; Leona Johnson, Administrative Assistant; Mark Crocker, Investigator; Ethel Mims, Administrative Assistant I; and Wendy Garvin, representative of the TSCPA.

Doug Warren called the meeting to order at 8:30 a.m. and turned the meeting over to Shauna Billingsley the staff attorney.

Shauna Billingsley: *This rulemaking hearing is called to Order.*

My name is Shauna Billingsley. I serve as a Staff Attorney for the State Board of Accountancy in the Department of Commerce and Insurance, Division of Regulatory Boards. Would the agency representatives who are present introduce themselves for the record? The board members introduced themselves as follows, Joseph Buffler, Kenneth Cozart, Doug Warren, Stanley Sawyer, Lisa Stickel, Max Haught, Bill Underwood, Vic Alexander, Al Creswell, and Shannone Raybon.

It is Monday, October 23, 2006. This Rulemaking Hearing is taking place pursuant to Tennessee Code Annotated, Section 4-5-204, in Room 160 of the Davy Crockett Tower, 500 James Robertson Parkway, Nashville, Tennessee. The purpose of this rulemaking hearing is to solicit comments on proposed rules the State Board of Accountancy has made public in order to make changes to the current rules, specifically requiring licenses to be renewed biennially.

A rule is defined as an agency statement of general applicability that implements or prescribes law or policy or describes the procedures or practice requirements of the agency. Proposed rules are filed with the Office of the Secretary of State, notice is given to the public for comment, and a rulemaking hearing is held. Upon conclusion of the hearing and adoption of the proposed rules, the rules are forwarded to the Attorney General's Office for review for legality. If approved, they are filed with the Secretary of State, which is responsible for publication and the government operations committee of the General Assembly. The rules must stay in the Secretary of State's office for 75 days, the end of which time will be the effective date of the rules.

Those members of the public wishing to speak should sign up at the table. Only those who have signed up will be permitted to speak.

The Notice of Rulemaking Hearing included the entire text of the proposed rules and was published in the September 2006 edition of the Tennessee Administrative Register.

Amendments

Paragraph (1) of rule 0020-1-.08 Renewal of Licenses is amended by deleting the text of the subparagraph and substituting instead the following so that, as amended, Paragraph (1) shall read:

(1) Each holder of a certificate as a certified public accountant or a registration as a public accountant shall be required to renew such certificate or registration biennially.

Authority: T.C.A. §§ 62-1-105, 62-1-107 and 56-1-302.

Shauna Billingsley asked if there were any comments from the public here today, there were none. *Agency, I now ask for your roll call vote. Joseph Buffler, yes; Kenneth Cozart, yes; Doug Warren, yes; Stanley Sawyer, yes; Lisa Stickel, yes; Max Haught, yes; Bill Underwood, yes; Vic Alexander, yes; Al Creswell, yes; and Shannone Raybon, yes. The proposed rule passes. This concludes the Rule Making Hearing.*

Mr. Warren called the board meeting to order and made the following announcements:

- 1) The formal hearings scheduled for today have been continued or resolved.
- 2) Welcome our newest board member Shannone Raybon.
- 3) Welcome our new attorney Shauna Billingsley.
- 4) Wendy Garvin is here today representing the TSCPA.

Mr. Warren asked if there were any items on the Consent Agenda (copy attached) that anyone wanted removed for discussion. [*Consent Agenda items: Robert's Rules of Order, minutes from the July 28, 2006 board meeting, David Ginsburg and Gregory Johnson leaving Prometric and AICPA, Linda Biek will write an article for the TSCPA Journal with rule change information and to promote the CPA exam, and the TSCPA has added the State Board link to their website.*] There being no requests, Joseph Buffler made a motion to approve the Consent Agenda; Al Creswell seconded the motion. It was voted on and approved.

Linda Biek presented the Executive Director's (E.D.) Report: (copy attached)

- 1) Ms. Biek announced the following board meeting dates, asking board members to keep the Thursday before the board meetings open for committee meetings:

2007: Friday, January 12
 Friday, April 27
 Friday, July 27
 Friday, October 19

- 2) Non-CPA ownership policy clarification. After a lengthy discussion, Vic Alexander made a motion to keep the policy as written; Lisa Stickel seconded the motion. Prior to voting, Vic Alexander amended his motion to keep the policy as written, with the effective date as July 1, 2007; Bill Underwood seconded the motion. It was voted on and approved.
This topic is also being referred to the F & A Committee for further study. A report should be given to the Board at the January meeting.
- 3) CPAES received an application for the CPA exam from a candidate who has a list of offenses. Does this applicant meet the good character requirement to sit for the exam? After much discussion, Joseph Buffler motioned to allow this candidate to go forward with his career. Bill Underwood seconded the motion. Doug Warren amended the motion by adding the candidate shall be on probation until the candidate passes all parts of the exam. If no further infractions or charges are obtained, the candidate will be allowed to apply for the TN CPA certificate; however if any new infractions are received the candidate application must come back before the board. Bill Underwood seconded the amendment. It was voted on and approved.
- 4) TNPAP Substance Abuse Program was summarized including the confidentiality of the program. The program cost is within the Board's budget for 2007. The cost is \$17,000; the amount budgeted for the program is \$25,000. The board members agreed to have Dan Syriac put together a grid of information including other programs available to be available at the January meeting.

Joseph Buffler asked Doug Warren to check with the TSCPA regarding sharing the cost of the program. The topic will be placed on the January meeting agenda for further discussion.

- 5) Carol Berry, a TN CPA, is upset that LM Berry, seller of yellow pages space, allows non-CPAs to advertise under the heading of "accountants" and sometimes under the heading "CPA." Linda Biek requested approval to send a letter to LM Berry offices in Tennessee explaining the violation to the Accountancy Act. Vic Alexander motioned to approve this request; Max Haught seconded the motion. Doug Warren asked that Ms. Berry be copied on the correspondence. The motion was voted on and approved.
- 6) The new PROC members are Charles Millsaps of East Tennessee and Art Sparks of West Tennessee.
- 7) The F & A Committee reports that with the renewal fee increase from \$80 to \$120, the board is inline with the budget and should end the year with a positive balance.
- 8) Quarterly Business:
 - Prometric, NASBA and the AICPA would like the support of the boards to require fingerprints for ID purposes at exam sites, as a security measure only. The candidate fee will be \$1.00 for this service. Linda Biek asked the board to give the Executive Director authority to support this system. Max Haught motioned to approve support for this system; Vic Alexander seconded the motion. It was voted on and approved.
 - What are the board members thoughts on the AICPA and NASBA offering the CPA exam twice per year overseas/internationally, security wise? Doug Warren voiced concern of a rumor that the life of a question in China only lasts a week before it is gone public; whereas the life of a question here in the United States lasts two years. The average cost per question is \$500. Vic Alexander voiced concern of compromising the integrity of the CPA exam.

BREAK

Shauna Billingsley presented the Attorney's Report:

- One Formal Hearing that was scheduled has been settled prior to today with a \$1,000 consent order.
- Two Formal Hearings scheduled for today have been continued; one will be set for the January meeting, and the other will be set for the April meeting.
- The Legal Department asks the Board of Accountancy to approve the consent order settlement /agreed order. Vic Alexander made a motion to accept the settlement; Ken Cozart seconded the motion. It was voted on and approved.

Stanley Sawyer presented the Probable Cause Committee report: (copy attached)

- 1) Committee Members reviewed 21 cases as presented by Ms. Billingsley. The Committee recommends 2 cases to be dismissed, 7 cases to have consent orders issued, 1 case to have a letter of warning issued, 2 cases to have formal hearings set, 2 cases to have informal conferences held, 3 cases to have letters of instruction sent, 3 cases to be closed and 1 case is still in litigation monitoring status; a total of \$9,850 in fines assessed. All recommendations have been discussed and the Probable Cause Committee asks for the report to be accepted. Max Haught made a motion to approve the recommendations; Joseph Buffler seconded the motion. It was voted on and approved.

Joseph Buffler presented the Licensing Committee Report: (copy attached)

- 1) Approved 3 Tennessee Exempt Organization (TEO) applications.
- 2) The Committee discussed the implementation of the new ethics CPE requirement. The Committee recommends phasing in the requirement with 2 hours for those who renew in 2007 with no state specific requirement and the full 4 hours for those who renew in 2008 to include 3 hours of generic ethics and one hour of state law.
- 3) The Committee approved three professional exams for CPE credit upon successful completion; Series 27 Exam, Certified Bank Auditor Exam and the Sarbanes Oxley Certified Exam.
- 4) CPE Think is an approved sponsor; however, the sponsor was not registered as a QAS provider with NASBA. The sponsor is now applying for QAS approval, which takes up to six-months. Candidates that have completed self-study courses with this provider will have an extension until

NASBA approves the sponsor as QAS or the licensee can take additional courses to complete their requirement.

- 5) Board has issued 119 new CPA certificates (78 Initial and 41 Reciprocal) whose experience and other qualifications have been approved by the Board's staff; eight (8) of these files have been randomly audited by the Committee Members and are in compliance.

The Committee asks for the report to be accepted. Ken Cozart made a motion to approve the report; Bill Underwood seconded the motion. It was voted on and approved.

Ethel Mims, Leona Johnson, Jody Stone, and Holly Couch gave a brief presentation of the online renewal system. After the presentation, a brief discussion took place regarding whether the board could design their own online system, licensees receiving a discount for online renewal, rebates for online renewals and how the licensee received notice of the fee increase.

Old Business:

New Business:

Mr. Warren informed the board of the following:

- Craig Mills of the AICPA exam division will attend our January 2007 Board Meeting.
- The number of candidates sitting for the exam has increased.
- It has been determined that CPA candidates read information provided by CPA Review Course providers more than information they received from any other organization.
- The Executive Committee of the Board will attend the NASBA meeting in Atlanta.

A brief discussion of the 120-hour - vs. - 150-hour requirement was held. Bill Underwood informed the board that educators in Chattanooga agreed with the 120 hours to sit for the exam and 150 hours to be certified; however, the educators do not agree with the extra 30 hours not being in accounting. Doug Warren explained that the intent of the extra hours was to have a better-rounded student and not to have a better accounting student.

There being no further business to come before the Board, Doug Warren adjourned the meeting.

CHAIRMAN

SECRETARY

Copies attached:

- Board Meeting Agenda
- Notice of Rulemaking Hearing
- Consent agenda
 - ✓ July 28, 2006 minutes
- Executive Director's Report
- TNPAP information sheet.
- Probable Cause Committee /Legal Report
- Licensing Committee Report